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501.07-05



TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

copy

APR 9 2003

Date:

Person to Contact:

Identification Number:

Contact Telephone Number:

reviewer

Dear Sir or Madam:

Your organization received exemption from Federal income tax under section 501(c)(7) of the Internal Revenue Code in

A review of your records disclosed that you are operating a golf course and club that is open to the general public. Your activities include the following:

- 1) Golf tournaments during the year in which both members and nonmembers participate.
During the golf tournaments or whenever the golf course is used, food, pop, beer and liquor are sold at the clubhouse.
- 2) Activity nights that are open only to the members of the club.

There are 2 types of memberships, voting and non-voting. The voting memberships include the family and single. The non-voting members are reciprocal memberships, student memberships and social memberships. The family, single, reciprocal and student members receive unlimited use of the course.

Nonmembers pay green fees for the use of the course. The amounts shown below were taken from the club's profit and loss statement for each year:

	2000	2001
Non-member receipts	49,917.79	49,483.74
Total income	191,290.06	195,584.65
% of nonmember income	26%	25%

Section 501(c)(7) of the Code provides for exemption from Federal income tax of club organized and operated exclusively for pleasure, recreation, and other non-profitable purposes provided no part of the net earnings inures to the benefit of any private shareholder.

Section 1.501(c)(7)-1 of the Income Tax Regulations provides that, in general, the exemption extends to social and recreation clubs supported solely by membership fees, dues, and assessments. However, a club which engages in business, such as making its social and recreational facilities available to the general public, is not organized and operated exclusively for pleasure, recreation, and other non-profitable purposes, and is not exempt under section 501(a).

Revenue Procedure 71-17, as amended by Public Law 94-568, provides certain gross receipts safe harbor; i.e. Social Clubs may receive up to 35% of their total gross receipts, including investment income, from sources outside of their membership without jeopardizing their tax exempt status. Within this 35% limit, no more than 15% of a club's gross receipts may be derived from nonmember use of the club's facilities and/or services. If these standards are exceeded, a Social Club will not qualify for exemption pursuant to IRC 501(c)(7).

Revenue Ruling 69-219, 1969-1, C. B. 153, states that a social club that regularly holds its golf course open to the general public, charging established green fees that are used for maintenance and improvement of club facilities, is not exempt under IRC 501(c)(7).

Based on your activities and financial records, and like the golf club in Revenue Ruling 69-219, you do not qualify for exemption from Federal income tax under section 501(c)(7) of the Code since (1) you are engaged in business with the general public by regularly holding your golf course open to the public for use upon payment of established green fees, and (2) the income from this source is inuring to the benefit of your members because it is used for the maintenance and improvement of club facilities.

Accordingly, your exemption under section 501(c)(7) of the Internal Revenue Code is revoked effective

You are required to file Federal income tax returns on Form 1120. These returns should be filed with the appropriate Service Center for all years beginning . We have secured the Forms 1120 for the years ending

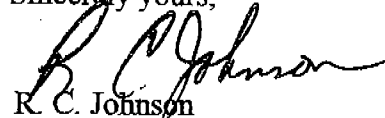
This is a final adverse determination of your exempt status under section 501(c)(7) of the Internal Revenue Code.

You have the right to contact the office of the Taxpayer Advocate. However, you should first contact the person whose name and telephone number are shown above since this person can access your tax information and can help you get answers. You can call 1-877-777-4778 and ask for Taxpayer Advocate assistance. Or you can contact the Taxpayer Advocate from the site where the tax deficiency was determined by calling or writing to: Internal Revenue Service,

Taxpayer Advocate assistance cannot be used as a substitute for established IRS procedures, formal appeals processes, etc. The Taxpayer Advocate is not able to reverse legal or technically correct tax determinations, nor extend the time fixed by law that you have to file a petition in the United States Tax Court. The Taxpayer Advocate can, however, see that a tax matter that may not have been resolved through normal channels gets prompt and proper handling.

If you have any questions, please contact the person whose name and telephone number are shown in the heading of this letter.

Sincerely yours,

A handwritten signature in dark ink, appearing to read "R. C. Johnson", written over the printed name.

R. C. Johnson

Director, EO Examinations